87 1009

No.

Supreme Court, U.S.
FILED
DEC 8 1987
JOSEPH F. SPANIOL, JR.
CLERK

IN THE SUPREME COURT

OF THE

UNITED STATES

OCTOBER TERM, 1987

SCHUBERT & SALZER
MASCHINENFABRIK AKTIENGESELLSCHAFT
and
SCHUBERT & SALZER MACHINE WORKS, INC.,
Petitioners,

v.

SPINDELFABRIK SUESSEN-SCHURR,
STAHLECKER & GRILL GmbH,
HANS STAHLECKER AND FRITZ STAHLECKER,
Respondents

PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Allen Kirkpatrick, III
Counsel of Record
For Petitioners
William T. Bullinger
Cushman, Darby & Cushman
Eleventh Floor
1615 L Street, N.W.
Washington, D.C. 20036
Telephone (202) 861-3000

QUESTION PRESENTED

Whether the lower court, in affirming the trial court, was in error as a matter of law in holding that the purchaser of a patent that was licensed to another party before the purchase can stop that licensed party from practicing the invention of the licensed patent by suing that licensed party for patent infringement under other of the purchaser's patents relating to the same invention.

STATEMENT OF INTEREST

There are no parent companies or affiliates as regards petitioner.

TABLE OF CONTENTS

		Page
	QUESTIONS PRESENTED & STATEMENT OF INTEREST.....	ii
I.	CONCISE STATEMENT OF JUDGMENT AND OPINION BELOW	1
II.	CONCISE STATEMENT OF GROUNDS UPON WHICH JURISDICTION OF THE COURT IS INVOKED	1
III.	STATUTORY PROVISIONS INVOLVED ...	2
IV.	STATEMENT OF THE CASE	3
V.	ARGUMENT	5
	A. Reasons For Granting The Petition	5
	B. The Applicable Law	7
VI.	CONCLUSION	16
VII.	SERVICE.....	19
VIII.	APPENDIX.....	20

TABLE OF AUTHORITIES

Cases — Page

AMP Inc. v. United States, 389 F.2d 448 (Ct. Cl. 1968), cert. denied, 391 U.S. 964 (1968)..... 13

Anthony Co. v. Perfection Steel Body Co., 315 F.2d 138 (6th Cir. 1963)..... 10

Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 U.S. 405..... 10

Cold Metal Process Co. v. Republic Steel Corp., 233 F.2d 828 (6th Cir. 1956)..... 12

Deforest Radio, Telephone & Telegraph Co. v. United States, 273 U.S. 236, 71 L. Ed. 625 (1935)..... 10

Dunkley Co. v. California Packing Corp., 277 F. 996 (2d Cir.), cert. denied, 257 U.S. 644 (1921)..... 13

Frederick B. Stevens, Inc. v. Steel & Tubes, Inc., 114 F.2d 815 (6th Cir. 1940)..... 13

Green v. Aerosol Research Co., 374 F.2d 791 (7th Cir. 1967)..... 13

Kearney & Tracker Corp. v. Giddings & Lewis Mach. Tool Co., 285 F.Supp. 483 (E.D. Wis. 1968)..... 13

Miller v. Eagle Mfg. Co., 151 U.S. 186, 38 L.Ed. 121 (1894)..... 14

Cases	Page
Minnesota Mining v. E.I. duPont de Nemours & Co., 448 F.2d 54 (7th Cir. 1971)	13
In re Siu, 222 F.2d 267 (C.C.P.A. 1955)	15
Tabbot v. Quaker-State Oil Co., 104 F.2d 967 (3d Cir. 1952)	10
United States v. Studiengesellschaft Kohle, m.b.H., 670 F.2d 1122 (D.C. Cir. 1981)	10
Withington-Cooley Mfg. v. Kinney, 68 F.2d 500 (6th Cir. 1928)	10
Zenith Radio Corp. v. Hazeltine Research, Inc., 395 U.S. 100 (1969)	10

Statutes	Page
28 U.S.C. 1254 (1)	1
35 U.S.C. 271	2
35 U.S.C. 282	2
35 U.S.C. 253	4, 15

Treatises	Page
Ellis, Patent Assignments & Licenses (2nd Ed. 1943)	11
Frederico, Commentary 1952 Patent Act	16

I. CONCISE STATEMENT OF JUDGMENT AND OPINION BELOW

The judgment sought to be reviewed is that of the Federal Circuit Court of Appeals. A copy of the lower court's opinion, dated September 9, 1987, reported at 829 F.2d 1075 (Fed. Cir. 1987), is here appended (Appendix Item 1, bound and filed separately). The trial court opinion, here appended as Item 2, is not reported.

II. CONCISE STATEMENT OF GROUNDS UPON WHICH JURISDICTION OF THE COURT IS INVOKED

This Court has jurisdiction of this petition for certiorari to review the judgment of the Federal Circuit Court of Appeals under 28 U.S.C. 1254(1). The date of the lower court's judgment is September 9, 1987.

III. STATUTORY PROVISIONS INVOLVED

1952 Patent Act, Title 35, U.S.C.

§271. Infringement of patent

(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent thereof, infringes the patent.

* * *

§282. Presumption of validity; defenses

* * *

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement, or unenforceability, ...

IV. STATEMENT OF THE CASE

For purposes of clarity, this petition will designate the petitioners collectively as "Schubert" and the respondent collectively as "Suessen."

Petitioner Schubert was sued by respondent Suessen for infringement of a U.S. patent[1] (hereafter the '946 patent). Petitioner Schubert defended on the ground that it was licensed and operating under another U.S. patent owned by Murata,[2] (hereafter the '011 patent). Murata had previously licensed petitioner Schubert.[3]

Respondent Suessen subsequently purchased the '011 patent and received an assignment from Murata.[4] It then disclaimed the term of the '946 patent in

---

1. U.S. Patent No. 4,059,946.
2. U.S. Patent No. 4,022,011.
3. See Appendix Item 3.
4. See Appendix Items 4 and 5.

suit for all times subsequent to the expiration of the '011 patent.[5]

In purchasing the '011 patent under which petitioner Schubert was licensed, respondent Suessen agreed to honor the terms of that license. Notwithstanding this commitment, respondent Suessen continued its suit against petitioner Schubert. It thereafter disclaimed the '011 patent.[6]

Petitioner Schubert defended, inter alia, on the ground that petitioner Schubert was merely doing what it was

---

5. This was in recognition that the '946 patent and the '011 patent claimed the same invention and that therefore there was impermissable "double patenting." Disclaimers are provided for in 35 U.S.C. 253 to have patents expire on the same day and thus eliminate double patenting. See purchase and license agreements, Appendix, Item 6.

6. See Appendix at Item 7.

entitled to do under the license, namely, to practice the '011 patent.

Petitioner Schubert does not admit that it infringed the '946 patent. However, respondent Suessen asserted that there was infringement, and this assertion is what established the relationship of the '011 and '946 patents for the purposes of this petition. That is, when Suessen made its assertion, petitioner Schubert had the right, inter alia, to assert and rely upon the patent license in effect between petitioner Schubert and respondent Suessen.

The trial court and the court below erroneously held that Suessen could lawfully purchase the licensed '011 patent without giving up any right to sue on the '946 patent. This petition for certiorari followed.

V. ARGUMENT

A. Reasons For Granting The Petition

This petition should be granted to correct the lower court as to the legal right of a patent licensee to practice under a licensed patent without suit by the licensor on another patent that the licensor owns. The lower court should be corrected on the issue at bar so that the error will not be repeated in future cases, and so that patent licensees will be assured of their long standing rights. The lower court has seriously misinterpreted the statutes and ignored prior court decisions. Unless corrected, the lower court has created uncertainty in the law where heretofore none existed and will allow patentees to hold or acquire patents without regard to existing licensing rights.

Not only is there general public interest in the issue at bar, but there is damage to petitioner Schubert. The refusal of respondent Suessen to honor the implied license to petitioner Schubert has resulted in petitioner Schubert being faced with an award of heavy damages and attorney fees, and being under a finding of comtempt of a district court injunction. Moreover, under the terms of the contempt injunction, customer's of Schubert are unable to even obtain servicing on machines for which they paid great amounts of money. Also, the decision below serves to limit the market to but one supplier, i.e., respondent Suessen. Petitioner Schubert is out of the market. This results in lack of competition, and higher prices. Grant of this petition will relieve these serious consequences.

B. The Applicable Law

The law is quite clear that when a patentee/licensor licenses a party to make, use and sell under a given patent, and that licensee does so under the patent, the patentee/licensor cannot nullify those rights by suing the licensee under another of its related patents.

The starting basis for consideration of the law on patent infringement as regards a licensee is the 1952 Patent Act, Title 35, U.S.C. which codified, as here applicable, the law of a patent infringement regarding licenses is as follows:

> §271. Infringement of patent
>
> (a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent. (Emphasis supplied.)

The underscored portion above highlights the error of the court below, namely, it is only those without authority (not licensees who have authority) who are liable for patent infringement. This is emphasized further in Section 282 of the 1952 Patent Act, Title 35, U.S.C.:

> §282. Presumption of validity; defenses
>
> * * *
>
> The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> (1) Noninfringement, absence of liability for infringement, or unenforceability, ... (Emphasis supplied.)

It is the unauthorized use of a patent which creates the liability for patent infringement, see, e.g., United States v. Studiengesellschaft Kohle, m.b.H., 670 F.2d 1122, 1127 (D.C. Cir. 1981).

A patent license has long been a complete defense to a suit for patent infringement. Deforest Radio, Telephone & Telegraph Co. v. United States, 273 U.S. 236, 71 L.Ed. 625 (1935); Anthony Co. v. Perfection Steel Body Co., 315 F.2d 138 (6th Cir. 1963); Talbot v. Quaker-State Oil Co., 104 F.2d 967 (3rd Cir. 1952); Withington-Cooley Mfg. v. Kinney, 68 F.2d 500, 507 (6th Cir. 1928); 69 C.J.S. Patents, Section 313a. Stated otherwise, a patent licensee is not one without authority (Section 271) or one who is liable (Section 282) for patent infringement. A patentee has the right to exclude only infringers who are without authority to practice the invention, Zenith Radio Corp. v. Hazeltine Research, Inc., 395 U.S. 100, 135 (1969); Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 U.S. 405, 424-25 (1908).

A patent license is an agreement under which the licensee pays the patentee the royalty which is the patentee's reward, in exchange for the licensee's right to be free from suit for patent infringement from the patentee. In the absence of any provision to the contrary (and there is none here), this license extends not only to the licensed patent, but to any other related patent owned by the patentee. In short, the patentee cannot license under one patent and hold back a second patent which is necessary to enable the licensee to practice the first patent. This horn-book rule of law is expressed as follows in the leading treatise of Ellis, Patent Assignments & Licenses (2nd Ed. 1943) as follows:

> §34. LICENSEE HAS AN IMPLIED LICENSE IN ANY OTHER PATENT OWNED BY LICENSOR (WHETHER ACQUIRED BEFORE OR AFTER THE DATE OF THE LICENSE) TO THE EXTENT NECESSARY

> TO ENABLE HIM TO OPERATE UNDER THE PATENT. (Emphasis supplied.)

This fundamental rule of law, implicit in 35 U.S.C. §271 and §282, was ignored and not followed by the lower court. Patent practioners, patentees and licensees have relied on this rule of law and the above statutes for perhaps nearly the term of the whole patent system. The lower court's opinion throws out that rule of law, which is exemplified in Cold Metal Process Co. v. Republic Steel Corp., 233 F.2d 828,846 (6th Cir. 1956). There the court stated, after discussing the legal precedents:

> These cases established the rule that where the owner of a patent grants to a licensee the right to use a patented machine, the grant carries with it by implication a license under any other patent of the licensor which would be infringed by operation under the Patent. See National Rubber Machinery Co. v. McNeil Machine & Engineering Co., 6 Cir., 132 F.2d 436, and Frederick B. Stevens,

Inc. v. Steel & Tubes, Inc., 6 Cir., 114 F.2d 815, 819.

See also AMP Inc. v. United States, 389 F.2d 448 , 453 (Ct.Cl. 1968), cert. denied, 391 U.S. 964 (1968); Frederick B. Stevens, Inc. v. Steel & Tubes, Inc., 114 F.2d 815 (6th Cir. 1940); Minnesota Mining & Mfg. Co. v. E.I. du Pont de Nemours & Co., 448 F.2d 54 (7th Cir. 1971); Green v. Aerosol Research Co., 374 F.2d 791 (7th Cir. 1967); Dunkley Co. v. California Packing Corp., 277 F. 996, 998-99 (2nd Cir. 1921) cert. denied, 257 U.S. 644 (1921); and Scovill Mfg. Co. v. Radio Corp. of America, 9 F.Supp. 239 (S.D.N.Y. 1935).

In Kearney & Tracker Corp. v. Giddings & Lewis Mach. Tool Co., 285 F. Supp. 483 (E.D. Wis. 1968), the above rule of law was applied in a case where a party was expressly licensed under a Morgan patent, but not a Brainaid patent. The

court rightfully held that if the licensee was practicing under the Morgan patent, the license under Morgan permitted it to practice so much of the Brainaid patent as overlaps the Morgan patent. See 285 F. Supp. at 484. The lower court stated the Kearney decision was not binding on it.

The lower court erroneously applied the law and ignored the statutes and decisions of previous court. The lower court clearly confused the situation where a non-party (one who is not a party to the license) seeks to enforce a patent, with the present situation where the party to a license sues on another patent it owns relating to the same invention.

In this case, Suessen has conceded that the '946 and '011 patents are closely related. The concession came about when Suessen filed a terminal disclaimer of the '946 patent, so that it would expire when

the '011 patent would expire.[7] Moreover, to emphasize the concession, Suessen thereafter disclaimed the entirety of the '011 patent.[8] This is because the Supreme Court has held that two valid patents for the same invention cannot be granted. See Miller v. Eagle Mfg. Co., 151 U.S. 186, 197, 38 L.Ed. 121 (1894). Two patents to the same or similar invention issued at different times permit the monopoly of the patent to be extended after the first issued patent expires. See In re Siu, 222 F.2d 267 (C.C.P.A. 1955). This is commonly referred to as double patenting. The 1952 Patent Act included a provision for the disclaimer of the remaining term of the second patent after the first patent expired so as to eliminate the extension of

---

7. Appendix Items 6 and 7.

8. Appendix Item 7.

monopoly and double patenting, see 35 U.S.C. 253 and Federico, Commentary 1952 Patent Act, 35 U.S.C. at 49.

Here, respondent Suessen purchased the licensed '011 patent after suit was filed,[9] terminally disclaimed its own '946 patent to avoid an extension of monopoly by claiming the same invention twice, and then dedicated the '011 patent that petitioner was licensed under to the public. These acts demonstrate that the '946 patent is a patent so related to the '011 patent as to establish an implied license under the '946 patent.

Given the above cited cases on implied licenses, and Ellis stating as early as 1943 that an implied license exists whether

---

9. The purchase was to eliminate any infringement and validity problems that the '011 patent presented to respondent Suessen.

the patent is acquired before or after the date of the license, the court below (not citing Ellis) was in error to hold that no license under '946 came into existence when respondent Suessen purchased the licensed '011 patent. It is inconsistent and unjustified for respondent Suessen to obtain the '011 patent and in so doing agree to honor the license to petitioner Schubert under the '011 patent, and then continue its efforts to prevent petitioner Schubert from operating under the license, by suit under the '946 patent. This sort of practice amounts to a misuse of patents, in addition to being contrary to existing law.

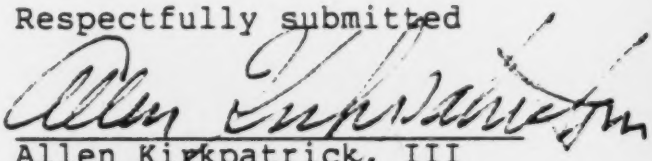
V. CONCLUSION

The lower court's judgment is clearly erroneous as a matter of law and contrary to public policy. The judgment allows a

patentee to totally destroy existing licensed patent rights, by reliance on other of its patents.

The petition should therefore be granted and in due course the case be remanded to the lower court to recognize the implied license and re-decide the case accordingly.

Respectfully submitted



December 8, 1987

Allen Kirkpatrick, III
Counsel of Record
for Petitioners
William T. Bullinger
Cushman, Darby & Cushman
Eleventh Floor
1615 L Street, N.W.
Washington, D.C. 20036
Telephone: (202) 861-3000

VII. SERVICE

Three copies of this petition have been served upon counsel for plaintiffs - appellees below, respondents herein, first class mail postage prepaid, addressed as follows:

Charles B. Park, III, Esq.
Michael D. McCoy, Esq.
BELL, SELTZER, PARK & GIBSON
P.O. Drawer 34009
Charlotte, NC 28234

Fletcher C. Mann, Sr., Esq.
LEATHERWOOD, WALER, TODD and MANN
P.O. Box 87
Greenville, SC 29603

December 8, 1987

Allen Kirkpatrick
Counsel of Record
for Petitioners
William T. Bullinger
Cushman, Darby & Cushman
Eleventh Floor
1615 L Street, N.W.
Washington, D.C. 20036
Telephone: (202) 861-3000

VIII. APPENDIX

(Bound and filed Separately)